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Retirement Changes

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Federal workers would be able to make tax-sheltered investments and generate bigger pension benefits for themselves under a proposed U.S. retirement system that the Senate will take up next month.

The system, designed by Sen. Ted Stevens (R-Alaska), is intended as a permanent retirement program for federal workers hired since January 1984. The plan, which encompasses civil service benefits, Social Security and tax-deferred investment options, would also be open to the 2.5 million U.S. employees enrolled in the current federal retirement program.

If approved by Congress, the Stevens plan would provide a three-tier retirement system that would go into effect next year. Employees would get modified civil service benefits (without cost to them) and be eligible for Social Security coverage and benefits (by paying the 7.05 percent Social Security tax).

They would also be able to put up to 10 percent of their salaries into a tax-deferred investment plan, similar to 401(k) programs available to many nonfederal workers. The government would put \$2 into that investment program for every \$1 employees invested, up to 4 percent of their salaries.

First hearings on the Stevens' plan will be held by the Senate Civil Service Subcommittee that he chairs. House Democrats are expected to introduce a similar plan shortly.

Under Stevens' plan employees could not retire before age 62 and get full benefits. Federal workers can now retire at age 55 with 30 years service, although the average retirement age is 61. Benefits increase with each year of service, and employees who put in 42 years can get pensions equal to 80 percent of salary. In separate legislation,

the Reagan administration will ask that employees work until age 65 for full benefits, no matter how much service they have.

Aides to Stevens say that under his plan employees would get benefits from civil service and Social Security ranging from 19 to 22 percent of their final salaries, if they retired at 62 with 10 years of service.

Persons retiring at age 62 after 30 years in government would get benefits ranging from 52 to 64 percent of salary, the aides estimate. Employees who retire with 10 years service now get annuities equal to about 15 percent of salary, and those with 30 years get a benefit equal to about 53 percent of their final pay.

Workers who left government before they were eligible to retire would be able to "roll over" all their pension contributions, along with whatever money they and the government invested in individual, tax-deferred retirement accounts. Currently employees who leave government before they qualify for pension benefits get back only the money (7 percent of salary) they contributed to the federal retirement fund.

Although there is no guarantee Congress will approve any of the changes the Reagan administration is proposing for current civil service workers, it must approve a new system this year, to be effective next year, for employees hired since January 1984.